

E-017/M-95-971

ORDER APPROVING TARIFF AND ELECTRIC SERVICE AGREEMENT AMENDMENTS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Joel Jacobs  
Tom Burton  
Marshall Johnson  
Dee Knaak  
Don Storm

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Petition by Otter Tail Power  
Company to Amend Electric Service  
Agreement With Lakehead Pipe Line and to  
Amend Ratchet Clause

ISSUE DATE: October 23, 1995

DOCKET NO. E-017/M-95-971

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**PROCEDURAL HISTORY**

**I. Proceedings to Date**

On September 20, 1995, Otter Tail Power Company (OTP or the Company) filed an amendment to its existing Electric Service Agreement with Lakehead Pipe Line Company (Lakehead).

On September 27, 1995, the Minnesota Department of Public Service (the Department) filed its initial comments.

On October 11, 1995, OTP filed reply comments.

On October 17, 1995 OTP filed revised tariffs to replace the tariffs filed with the Company's reply comments filed on October 11, 1995.

On October 19, 1995, the Commission met to consider this matter.

**FINDINGS AND CONCLUSIONS**

**II. OTP's Petition**

In its petition, OTP sought Commission approval of a proposal designed to improve the operating flexibility for Lakehead and for other OTP customers. Specifically, OTP sought approval to:

- temporarily amend its Electric Service Agreements with Lakehead and waive demand charges for additional demand taken by Lakehead during the period October 1, 1995 to December 31, 1995 and suspend application of the mandatory ratchet clause during the same period. Lakehead will pay \$0.027/kWh for additional energy consumed
- permanently amend the ratchet clause contained in its Large General Service-TOU and Large General Service tariffs. (OTP explained that this amendment is meant to provide OTP with the discretion to unilaterally suspend the ratchet when doing so would benefit customers and the Company.)

The amendment was filed prior to the effective date of the amendment and service. The Company stated that service under the amended contract and tariff will only occur prospectively from the date of Commission approval. OTP asked, however, that the Commission give this matter expedited attention.

### **III. The Department's Comments**

The Department recommended approval of OTP's filing with two modifications. First, the Department recommended OTP receive Commission approval before it departs from the standard methods of determining billing demand and applying the demand ratchet. Second, it recommended that OTP be required to make available identical offerings to other similarly situated customers. It suggested that the Commission may wish to require OTP to make a future filing of a rider that identifies the specific conditions when OTP will make similar offerings.

### **IV. OTP's Reply Comments**

In its reply comments filed October 11, 1995, OTP clarified that it is mutually understood by both OTP and Lakehead that service under the amendment and/or modified tariff cannot occur until the Commission has given its approval. In addition, OTP responded to the two modifications suggested by the Department: (1) that OTP be required to obtain Commission approval prior to each time it departs from the standard method of determining billing demand and applying the demand ratchet; and, (2) that OTP be required to make the same offer available to all other similarly situated customers.

### **V. OTP's Revised Special Billing Demand Provision**

On October 17, 1995, OTP filed revised tariffs, replacing the tariffs it had filed as part of its reply comments filed on October 11, 1995. In the October 17 filing, OTP stated that it had worked with the Department and Commission Staff to develop additional wording for the Special Billing Demand provision. The Company stated that all parties agree that the additional wording addressed the concerns raised about that provision.

## **VI. Commission Analysis and Action**

### **A. OTP's Electric Service Agreement With Lakehead**

The Commission has reviewed OTP's request, as reflected in its reply comments, to amend its Electric Service Agreements with Lakehead and to modify the language in the Company's Large General Service-TOU and Large General Service tariffs regarding the application of the demand ratchet provision. The Commission finds that modification proposed by the Company is reasonable. No party has objected to this proposed change. The Commission will approve it.

Further, to expedite implementation of the amendments approved in this Order, the Commission will authorize them effective as of the date of this Order, pursuant to Minn. Stat. § 216B.26 (1994).

### **B. Revised Tariff Language**

Prior to the Company's most recent filing (October 17, 1995), its proposed Special Demand Billing provision (in both the Large General Service-TOU and the Large General Service tariffs) was of concern to the Department on two counts:

First, the Department noted that the tariff did not clearly provide OTP with the right to curtail all of a customer's additional demand back to average billing demand in order to maintain the integrity of OTP's generation and transmission systems.

Second, OTP's proposed tariff did not enunciate specific conditions under which the Special Billing Demand provision would be applied. The Department's concern was that the potential exists for the provision to be used to provide preferential treatment to certain customers by allowing these customers to avoid making long-term commitments.

The Commission has reviewed the tariff language proposed as late as OTP's reply comments and shares the Department's concerns about that language.

However, to its credit, the Company continued discussions with the Department and Commission Staff after filing its reply comments and shortly before this matter came before the Commission for consideration filed further revised tariffs. See the Company's October 17, 1995 filing. According to the Department, this further revised language meets its concerns.

The Commission has conducted an independent review of these further revised tariffs and finds that they do indeed appropriately address the concerns raised about the Special Billing Demand Provision. Accordingly, the Commission will approve them.

## **ORDER**

1. The proposal of Otter Tail Power Company (OTP or the Company) to amend its Electric Service Agreements with Lakehead Pipe Line Company is approved. The amendment allows Lakehead to increase its demand during the months of October, November and December 1995, without incurring any additional demand charges. Lakehead will pay \$0.027/kWh for all additional energy consumed in this three month period, above its average on- and off-peak consumption in July, August, and September. The amendments shall become effective as of the date of this Order.
2. OTP's recommended modifications to language in the billing demand determination provisions in its Large General Service - Time of Use and Large General Service tariffs, filed October 17, 1995, are approved.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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